# Microfinance for Decent Work: Action Research 2008-2012

International Labour Office
Geneva

## Overview

Microfinance for Decent Work (MF4DW) is action research that aims to build knowledge on the effects of innovations on microfinance clients' livelihoods. Launched by the ILO Social Finance Programme in 2008, the MF4DW action research began by identifying specific work-related challenges among microfinance clients and, to address them, implemented tailor-made innovations with microfinance institutions around the world. The MF4DW action research applied an experimental research design in order to measure the impact of these innovations overtime.

At the outset of the MF4DW, each participating MFI conducted a diagnostic survey among 200 of its clients to determine their most pressing work-related challenge. The analysis was guided by **ILO's vision of decent work for all** and its goal to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity. Within this framework, the diagnostic determined **child labour**, working conditions, formalisation, job creation and productive employment, risk management/ over-indebtedness, and women's empowerment, as key challenges keeping microfinance clients from obtaining decent work.

Each MFI then selected a key decent work challenge and implemented an innovation to address it. Changes at the client level were captured through a series of client surveys. The ILO, along with research partners, established impact through a mix of econometric methods.

## MFI Profile:

**MFI Partner:**
PRIDE Microfinance Ltd. (PML)

**Country of Operation:**
Uganda

**Organizational Mission:**
PML's mission is to provide financial services to micro, small, medium, and upscale entrepreneurs in rural and urban areas, through sustainable operations that promote social and economic growth of our customers.

**Current Legal Status:** Regulated Microfinance Institution

**Types of Products offered:** Group Loans, Individual Loans, School Fees Loans, Mortgage and Asset Financing Loans, Agricultural Loans, Voluntary Savings, Insurance, Money Transfer Services

**Number of Active Borrowers:** 69,501

**% of Women Borrowers:** 38%

**Total Number of Depositers:** 295,070

**Number of Branches:** 30

**Geographical Dispersion:** 30 branches distributed country-wide

**Size of Gross Loan Portfolio (in USD$):** 28.2 million **03/12*

## PML's Innovation

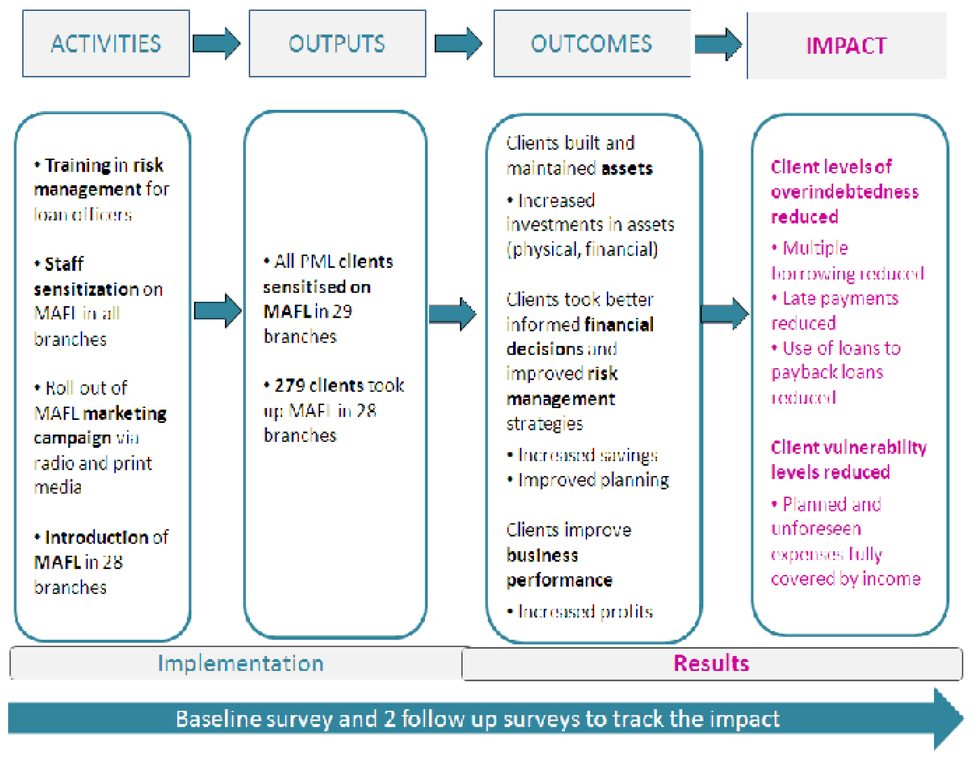
### Introduction of Mortgage and Asset Financing Loan to Improve Risk Management Strategies and Decrease Over-debtedness among PML's Clients

### Innovation Details

PML addressed risk management and over-indebtedness among its clients by offering a Mortgage and Asset Financing Loan (MAFL). Through the MAFL, clients purchased assets for productive purposes (such as motorbikes, cars, land and agricultural/construction/ medical or solar equipment). The increased productive asset base should boost the clients businesses and improve their repayment capacity. At the same time, clients do not handle cash as PML pays the asset supplier directly. The asset is used as collateral to reduce the clients risk of becoming over-indebted. PML tracked changes at the client/household level particularly household and business activities, ownership of assets, use of financial services and risk management strategies in order to determine the impact of the innovation over time.

PML conducted 3 surveys over the span of 2 years on a sample of 600 clients countrywide across all offices of PRIDE Microfinance Limited.

### Result's Chain for PML




## PML's Results

The impact assessment compared results gathered from two client groups: those that had access to the innovation and those that did not.

Based on the overall research process and conclusions, the ILO would like to make the following **recommendations** to PML:

For more information:

ILO MF4DW Action Research
www.ilo.org/socialfinance

PRIDE Microfinance Ltd.
www.pridemicrofinance.co.ug

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